



**U.S. Department of Housing and Urban  
Development**

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**COMMUNITY  
DEVELOPMENT**

Honorable Max Wilson  
Chairman  
Maricopa County Board of Supervisors  
301 West Jefferson, 10<sup>th</sup> Floor  
Phoenix, Arizona 85003

Dear Mr. Wilson:

Subject: Annual Community Performance Assessment  
Program Year 2003-04 Final Report

HUD's Community Planning and Development (CPD) Division annually reviews the performance of our grantee's management of the Department's four entitlement programs. Maricopa County is the recipient of three of these entitlement programs. They are the Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME), and Emergency Shelter Grant (ESG) programs. In FY 2003-04 the County was awarded \$3,231,000 in CDBG, \$6,100,873 in HOME, and \$123,000 in Emergency Shelter Grant funding. In addition, activities from these programs are supplemented with assistance from competitive grants received under the McKinney-Bento Act, such as Supportive Housing, Section 8 Moderate Rehab SRO, and Shelter Plus Care.

Maricopa County spent over \$10.1 million of these resources during the program year. Overall, the County continues to perform well in the use of its HUD funds. CDBG, HOME and ESG funds continue to be spent in a timely manner. Activities were undertaken that address the County's priority needs as described in its 5-year Consolidated Plan for the period 2000 - 2004. Staff continues to demonstrate their ability to implement the above programs in accordance with federal requirements. Our review of the Consolidated Annual Performance and Evaluation Report (CAPER) and other available information, confirms that the County has the continuing capacity to administer its CDBG, HOME, and ESG programs.

The County has successfully leveraged its HUD funding. Seed money is provided to foster development of affordable rental housing as well as home ownership opportunities. Funds are being used to upgrade undersized and/or deteriorating public improvements. In support of the Maricopa Continuum of Care, funds were used to provide needed assistance to local and regional homeless facilities serving domestic violence victims, families with children, and single adult males. Through public service

agencies funded with HUD and County General Funds, the needs of homeless people and persons with special needs were also addressed.

### **PROGRAM ISSUES**

Maricopa County administers the Consortium's HOME program by fair sharing its funds to its consortium members, which includes eight entitlement jurisdictions. Even though the County is the lead agency and has ultimate responsibility for the use of its HOME funds, certain responsibilities (e.g. environmental reviews and project underwriting) are shared with consortium members. As a result, the County is increasing its risk in the event that statutory or regulatory improprieties occur. HUD has therefore, recommended that the County improve its administrative oversight of Consortium member activities.

During the past year, and in response to HUD's request, the Community Development Department responded to two HOME development issues by implementing a series of corrective actions. These actions, described below, will help prevent future problems involving administrative oversight of the Consortium's HOME program. Another issue involving the El Mirage Neighborhood Revitalization Strategy Area designation has yet to be addressed.

The first issue involved the environmental assessment for Ironwood Estates, a HOME-assisted rental housing project in Peoria. The environmental review process was determined by Maricopa County Community Development to be incomplete. The problem was exacerbated by the fact that project construction had been completed prior to a formal release of funds by HUD. Because the regulations preclude HUD program funds from being committed prior to a release of funds, the County held back reimbursement for the project. County staff requested a waiver of the National Environmental Policy Act (NEPA) regulations, which requires approval by HUD's Assistant Secretary of Community Planning and Development. The waiver request has been approved and a letter confirming this approval is being sent to the County. To prevent the recurrence of this and/or similar situations, the Maricopa County Community Development Department implemented stronger administrative oversight policies for environmental assessments. This policy requires that full documentation of all environmental reviews, including requests for release of funds, and related requests for reimbursement of funds, be submitted to the County staff for review. We thank the Community Development staff for taking prompt action on the above issue and quickly implementing the appropriate corrective measures.

A second project, Bell Mirage, is located in the City of Surprise. It involved an inappropriate environmental assessment that was prepared for site acquisition of a HOME-funded housing project. The project has been stopped. No additional HOME funds will be allowed in the project. The status of the project depends on the developer's ability to secure other financing. Shortly after the problem with Bell Mirage was determined, County staff, Community Services of Arizona (CSA) and HUD met to discuss options. CSA was determined to proceed with a project and both the County and

HUD were providing support in their effort. As a result, it was agreed that CSA would proceed with pursuing the development of Bell Mirage without the use of additional HOME funds. Because time is critical in achieving both the commitment and expenditure deadlines for the HOME funds already in the project, extending time to CSA on this project would need to be limited. A timetable was therefore established and agreed to by all parties. CSA, the City of Surprise and the County have been diligently working together to ensure a successful outcome to this effort. As a result, CSA received planning and zoning approval for this project from the City of Surprise substantially in advance of expectations. This is a significant achievement.

On July 1, 2004 HUD approved a request by the County to establish a Neighborhood Revitalization Strategy Area (NRSA) in the City of El Mirage. A NRSA is a tool available in the CDBG program that allows certain flexibilities in the regulations. It also encourages strategic planning in the development of the targeted area. Because of the City's financial difficulties and the dismissal of key Community Development staff, there has been little progress made in achieving the NRSA benchmarks. If this lack of progress continues, HUD may decertify the NRSA. We will continue to work with County Community Development staff and the City of El Mirage to determine the future status of the NRSA.

### **AFFORDABLE HOUSING**

As the lead entity in the Maricopa HOME Consortium, the Consolidated Plan priorities reflect its affordable housing needs and priorities. They include: rehabilitating owner-occupied dwellings, pursuing acquisition and rehabilitation opportunities, fostering homeownership opportunities for lower income, credit-worthy borrowers, stimulating the production of multi-family housing for lower income families and addressing the needs of homeless and those with special needs. The County is addressing these priorities through programs involving owner and renter new construction, rehabilitation, assistance to first time homebuyers, and acquisition with rehabilitation to provide affordable rentals.

Urban County and Consortium performance is reported in the Maricopa HOME Consortium CAPER. The CAPER, reporting accomplishments for year 2003-04 activities, shows progress being made toward addressing the Consolidated Plan's priorities and five-year goals. Maricopa Urban County's primary focus has been on maintaining the existing housing stock of its 12 incorporated cities and its unincorporated area through the rehabilitation of single-family owner-occupied housing. The CAPER reports the rehabilitation of single-family owner-occupied units in four of these 13 geographic areas using both CDBG and HOME funds. A total of 18 units were rehabilitated in the Urban County. In the Consortium as a whole, 774 single-family units were rehabilitated. Production decreased from last year due to staff reductions in the cities of El Mirage and Surprise.

President Bush has made homeownership a priority and has directed HUD to create affordable housing opportunities for low and moderate-income families. The

American Dream Downpayment Act was recently signed by the President, which will enable low-income families to become new homeowners. In the 2004-2005 Program Year, the County will have \$738,803 of American Dream Downpayment Initiative (ADDI) funds available to assist first time homebuyers. The program will help meet the President's goal of increasing minority homeownership by 5.5 million families by the end of the decade. In response to the need for affordable homeownership opportunities, the Urban County constructed 20 new units for low-income households. The Consortium as a whole produced a total of 97 new homeownership units.

Rental-housing needs of the Urban County are being addressed with HOME funds and multi-family housing bonds issued by the Maricopa County Industrial Development Authority. These resources generated 144 units of affordable rental housing. An additional 172 units, funded with tax credits, are in various phases of implementation. The balance of the Maricopa HOME Consortium developed approximately 245 affordable rental units using CDBG, HOME, General Funds, and Low Income Housing Tax Credits. Maricopa County IDA Bonds were used to develop an additional 1,497 units, of which, 458 are to be set-aside for low-income families. In total, the Consortium will produce about 1,019 affordable rental-housing units. Leveraging CDBG and HOME funds with other resources has resulted in significant accomplishments that address the Consortium's affordable housing needs.

## **AFFORDABLE HOUSING INITIATIVE**

Since more than half the State's population resides within the Phoenix-Mesa metropolitan area, the impact on housing affordability will be greater here than anywhere else in the State. The need to provide affordable housing for low and moderate-income families in the metropolitan area remains a challenge. Prices continue to escalate faster than incomes. Rising property values make it more difficult to assist low-income households. Typically there isn't enough public funding available to build significant numbers of new affordable units.

Strategies that provide incentives and flexibility to developers in exchange for additional housing units can result in the partnership needed to produce more units. With the high level of development activity underway there is a window of opportunity to establish these types of policies. This approach has been successful when involving homebuilder and real estate associations in the creation of exclusionary zoning ordinances. Very high-cost areas of the country such as California have been successful in implementing these ordinances. Below are some web links that contain information about the use of inclusionary zoning.

Inclusionary Housing in California: 30 Years of Innovation

<http://www.nonprofithousing.org/knowledgebank/publications/index.atonic>

Inclusionary Housing: Making It Work

<http://inclusionaryhousing.org>

Inclusionary Housing: the California Experience

<http://www.nhc.org/nhcimages/California%201Z/CaIZO4.pdf>

Inclusionary Zoning: Equitable Development Toolkit  
<http://www.policylink.org/EDTKIIZ>

The issues of low incomes and the lack of affordable housing opportunities transcend municipal boundaries. No unit of general local government can resolve them alone. The issue is regional. We therefore believe the most effective solutions are regional. In an effort to develop a regional approach, the HUD Phoenix Office and the Arizona Department of Housing commissioned a study that quantified the affordable housing gap facing virtually all units of local government in the State. The report is the most comprehensive study ever conducted on the affordable housing needs of Arizona.

In response to this study, on September 2003, the Phoenix HUD Field Office gathered together community leaders to formulate a different approach to address the issue of affordable housing. On June 14, 2004, a summit was held in Phoenix to discuss affordable housing. In attendance were 65 high-level businesses, non-profit, faith based, and local elected officials from within Maricopa County. Speakers included Governor Napolitano, Michael Collins of Harvard University, former St. Paul, Minn. Mayor and HUD official George Lattimer, Carl Guardino of the Silicon Valley Manufacturers Association, and local economist Elliot Pollack, author of the Arizona Affordable Housing Profile funded by HUD.

From these efforts a Workforce Housing Task Force was formed. The Task Force was charged with developing a regional approach to providing affordable housing. Gregg Holmes of the Stardust Companies agreed to chair the Task Force. It is composed of representatives from business, non-profit, government and faith-based organizations. Supervisor Mary Rose Wilcox and Rebecca Flanagan, Field Office Director of the HUD Phoenix Office, are members of the Steering Committee of this Task Force. The goal of this Task Force is to reduce the affordable housing gap in each community using the "Affordable Housing Report" as a guide. The effort would be directed at housing for low and moderate-income households. This ongoing Action Committee has the potential to shape the future of affordable housing in Maricopa County. As the most populated area in the State, and having the largest housing stock, we look forward to your continued participation and leadership in this regional effort.

### **CONTINUUM OF CARE**

Addressing the needs of homeless individuals and families is a priority of the Department. HUD is committed to ending chronic homelessness within 10 years - by 2011. The chronically homeless are single adults who have severe disabilities and have been continually homeless for one year or more or have recurring episodes of homelessness. It is estimated that the number of chronically homeless nationally to be between 150,000 and 200,000. To assist state and local governments, non-profits, and faith based organizations and the private sector in providing housing and services for the homeless, the Secretaries of HUD, HHS and Veteran Affairs have created an interagency working group to both identify obstacles to enrollment of homeless persons in mainstream service programs and recommend changes that would make federal

mainstream supportive service programs more accessible. As homeless persons are able to access federal mainstream programs, more of HUD's Continuum of Care Homeless funds will be available for transitional and permanent housing for the homeless.

Maricopa County continues to demonstrate its commitment to address the needs of homeless people. The County supports homeless assistance activities through a network of organizations such as Central Arizona Shelter Services, Save The Family Foundation, Catholic Social Services, among others. In Program Year 2003-04, HUD awarded \$15.9 million of homeless assistance funds to the Maricopa County Continuum of Care. This award funded 45 projects, all of which are physically located within Maricopa County. Most of the projects funded with these resources are renewals. The County has also been an active participant in the Maricopa County Continuum of Care process, now coordinated through the Maricopa Association of Governments (MAG).

The effort to strengthen the Continuum of Care continues today. Through MAG, members adopted a Plan to End Homelessness. This plan is the culmination of efforts over the past few years to bring various entities together to address homelessness in a holistic and coordinated manner. The plan focuses on, but is not limited to, issues such as homeless prevention, discharge policies of area penal institutions, the provision of permanent supportive housing, community strategies, the removal of barriers, and the coordination of systems of care. The plan also includes the development of a Human Services homeless campus in downtown Phoenix that is currently under construction. It is estimated the project will be operational in the fall of 2005. When completed, this facility will be an integral part of a regional delivery system for the Continuum of Care.

To ensure that funds are being used efficiently and effectively, HUD has used its Technical Assistance funds and contracted with a consultant to develop a homeless evaluation system. This system will be used by the three Arizona Continuums of Care to evaluate the performance and effectiveness of homeless projects and programs. The Maricopa Association of Governments (MAG) will serve as the lead entity for the three Continuums. A model of the new evaluation system has been field tested in a few jurisdictions across the State. HUD will continue to work with the consultant to refine the instrument. We are pleased to assist in strengthening the partnership we have with the County and the Maricopa County Continuum of Care, and look forward to continuing this relationship in the future.

Congress has established a national goal that all continuums of care should be collecting an array of data on the homeless, including unduplicated counts of the homeless, their use of services and the effectiveness of local assistance systems. In order to achieve this objective, HUD has encouraged continuums to develop a Homeless Management Information System (HMIS). The Maricopa Continuum of Care (COC) was one of the first continuums in the nation to dedicate funds to this project. As a result, they are viewed as a model for the rest of the country. Community Information and Referral has been designated as the lead entity in the development of this system. The system became functional as of Oct 4, 2004. All CoC participants are now providing data into this system, including MAG.

## NON-HOUSING AND COMMUNITY DEVELOPMENT ACTIVITIES

In addition to the actions taken by the County to address its housing development needs, the County carries out an array of public works/improvements and public facilities activities. With the expenditure of CDBG funds along with other local funding sources supplementing this effort, the County is addressing its non-housing community development needs.

## PERFORMANCE MEASUREMENT SYSTEM

The Department is working with national public interest groups that represent grantees, and OMB to develop a new Performance Measurement framework for CPD's formula programs. The intention is to try to better capture the significant *national* accomplishments of these outstanding programs. HUD expects to be providing information on this new approach during the second quarter of Federal Fiscal Year 2005, and will be asking grantees for input on this important new approach. This effort should compliment locally focused performance measurement systems.

Maricopa County does currently have a performance measurement system in place and functioning. This locally focused performance measurement system will help to ascertain how well CDBG and HOME programs and projects are meeting identified needs. The County will then be able to use that information to improve performance and better target resources. It would be helpful to the Department if the County would share with us its experiences in the use of this system, both pro and con. This information would be useful in HUD's efforts to develop a new Performance Measurement framework for CPD's formula programs.

Efforts continue to be made to affirmatively furthering fair housing. Actions have been taken to address impediments identified in your Analysis of Impediments to Fair Housing. We thank you for your commitment and support in addressing this very important objective.

We look forward to continuing our partnership with Maricopa County to help achieve its economic development, affordable housing and community development goals. If you have any questions, please do not hesitate to contact me at (415) 436-6597 or Marty Mitchell, Program Manager in the HUD Phoenix Office at (602) 379-7175.

Sincerely,



Steven B. Sachs, Director  
Office of Community Planning  
and Development

cc: David Smith  
Jim Prante  
Annette Stein